

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2011

DOCKET No. N2012-1

**INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE TO
AMERICAN POSTAL WORKERS UNION, AFL-CIO INTERROGATORY
(APWU/USPS-38)**

The United States Postal Service hereby provides an institutional response to the above-referenced interrogatory of the American Postal Workers Union (APWU), AFL-CIO, dated April 6, 2012. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Matthew J. Connolly
Attorney

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-8582; Fax -5418
matthew.j.connolly@usps.gov
July 9, 2012

**INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE TO
AMERICAN POSTAL WORKERS UNION, AFL-CIO INTERROGATORY**

APWU/USPS-38. We are aware that the Postal Service assigns \$999.00 as the cost of the administration of HCR contracts when it is providing the APWU with comparisons of PVS cost and HCR cost for purposes of administering the APWU/USPS National Agreement.

- a) Does the Postal Service consider \$999.00 an accurate measurement of the cost of administering an HCR contract?
- b) If the answer to a) is an unqualified yes, explain the cost components of the \$999.00 and explain how that number has been calculated.
- c) If the answer to a) above is anything but an unqualified yes, please list the relevant types of costs that are associated with the administration of HCR contracts and indicate whether or not they already are in LDC 30 and LDC 31.
- d) Please list and itemize the types of overhead costs that are assigned as costs in determining the cost of PVS routes.
- e) Please list and itemize the types of overhead costs that are assigned as costs in determining the cost of HCR routes.

RESPONSE:

- (a) It is believed that the \$999.00 figure was developed on the basis of an analysis performed prior to 1998. No records have been located to-date which document the methodology by which it was calculated. In the absence of an updated analysis, the \$999.00 figure is used as the best available estimate of the cost of administering an HCR contract.
- (b) N/A
- (c) For the reason discussed in the response to part (a) of this interrogatory, the Postal Service is unable to definitively state the extent to which the \$999.00 figure includes costs associated with LDC 30 or LDC 31.
- (d) It is believed that the methodology for estimating overhead costs associated with PVS routes also was developed before 1998. However, it also is the case that no records have been located to-date which would identify the specific basis on which these administrative costs are estimated. Therefore, the Postal Service is unable to respond to this

**INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE TO
AMERICAN POSTAL WORKERS UNION, AFL-CIO INTERROGATORY**

RESPONSE TO APWU/USPS-38 (CONT.):

interrogatory part.

- (e) Please see the responses to (a) and (c) above.